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## Background: SIP Call and 126

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July 25, 2001  
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## NOx SIP call - What does it do?

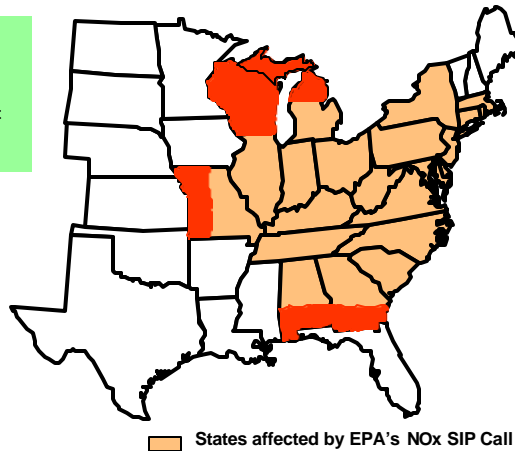
- u Required 22 States & DC to submit SIPs providing NOx emission reductions to mitigate ozone transport in eastern U.S
- u Assigns a total NOx emissions “budget” for each identified State
- u Permits States to choose what NOx measures to adopt to meet the State-wide emission budget
- u EPA has encouraged the use of an emissions trading program to achieve reductions from large electric generating units and industrial boilers



## Which States are Subject to the SIP Call

### Notes

1. WI is removed
2. GA and MO will be split
3. AL and MI may be split



## Litigation Court of Appeals Rulings Impact the NOx SIP Call

- ◆ In March 2000, D.C. Circuit issued a decision on suit filed by a number of parties challenging EPA's NOx SIP Call (MI v. EPA, No. 98-1497)
- ◆ Court upheld the Agency's...
  - authority to issue NOx SIP Call and to establish State NOx budgets
  - definition for determining whether States "significantly contribute" to downwind ozone non-attainment
  - method of calculating budgets by assuming same level of control in all affected States



## Litigation

### Court of Appeals Rulings Impact the NOx SIP Call

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- ◆ Court remanded to EPA for rulemaking...
  - EGU definition (how should rule address co-generation units?)
  - Control level for large, stationary internal combustion engines
  - Clarify geographic coverage for MO and GA
- ◆ April 11, 2000 ... EPA sent letters to Governors outlining a 2-phased approach for responding to the Court



## More on the NOx SIP Call Action

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- ◆ Phase 1 addresses the portion of SIP Call upheld by the Court; will achieve the majority of the reductions - about 90% and affects EGUs and Non-EGUs
- ◆ 19 states and DC were required to submit rules for Phase 1 by October 30, 2000: AL, CT, DE, IL, IN, KY, MA, MD, MI, NC, NJ, NY, OH, PA, RI, SC, TN, VA, and WV
- ◆ Compliance date is May 31, 2004
- ◆ Phase 2 (full budgets) affects IC engines and non-Acid Rain EGUs (cogens) - submittal date to be set through future rulemaking



## What does Section 126 of the Clean Air Act Do?

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- u Authorizes a downwind State, or political subdivision thereof, to petition EPA for a finding that emissions from any major stationary source, or group of stationary sources, in an upwind State contribute significantly to nonattainment, or interfere with maintenance, of a national ambient air quality standard in the petitioning State



## What does Section 126 of the Clean Air Act Do?

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- u Source receiving a section 126 finding must shut down after 3 months or comply with emissions limits and compliance schedules set by EPA
- u Compliance date must be no later than 3 years from finding



## Final Rule on 8 Original Section 126 Petitions

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- u Rule requires 392 large utilities and large industrial boilers and turbines located in 12 States (DE, IN, KY, MD, MI, NC, NJ, NY, OH, PA, VA, WV) + DC to reduce NO<sub>x</sub> beginning May 1, 2003
- u Promulgates cap-and-trade program, to be administered by the Clean Air Markets Division, as the control remedy for affected sources



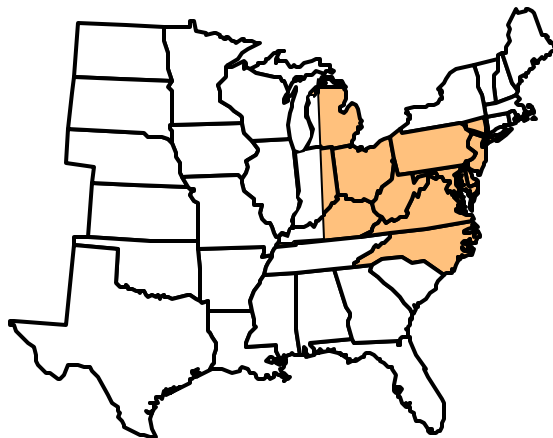
## Final Rule on 8 Original Section 126 Petitions

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- u Includes provisions for monitoring and reporting emissions, allocations, banking, trading, permits, compliance, penalties and opt-ins
- u 2003-2007 allocations for each affected unit included in appendix of Part 97



## Which States are Subject to the Section 126



- States with sources covered by section 126 rule
- Other OTAG States

## Litigation Court of Appeals Rulings Impact the 126 Rule

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- ◆ In May, 2001, the court upheld the 126 Rule but remanded to EPA two issues:
  - growth factors
  - definition of cogeneration unit
- ◆ EPA intends to respond to the court's decision quickly
- ◆ The court has not changed the compliance deadline for the rule



## Relationship Between the NOx SIP Call and the Section 126 Rule

- ◆ The section 126 and the State rules under the NOx SIP call are based on a nearly identical trading program
- ◆ Provisions of the trading program include: applicability and exemptions, permits, allocations, trading procedures, banking, monitoring, reconciliation, opt-ins, penalty offsets for excess emissions
- ◆ Both 126 and the NOx SIP Call require compliance with Part 75 monitoring



## EPA's Timeline for Compliance with the NOx Budget Trading Program: 2001

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|----------------------|--|
| ◆ Early spring, 2001 | ◆ Post account forms on internet for all sources   |
| ◆ April, 2001        | ◆ Certify monitors for SIP call sources seeking ERCs (deadline for certifying monitors will depend on State rule)  |
| ◆ Late spring, 2001  | ◆ Collect Account Representation forms from sources and compare with source lists  |
| ◆ Fall, 2001         | ◆ Create accounts for each unit; allocate allowances for both programs and begin recording transfers   |
| ◆ Summer/fall, 2001  | ◆ Meet with affected sources to introduce electronic data reporting and monitoring requirements and instruct account representatives on use of accounts                                      |
| ◆ October, 2001      | ◆ Process quarterly remissions reports to (1) establish early credit baseline for SIP call sources, and (2) determine early credits for SIP call sources that established a baseline in 2000 |



## EPA's Timeline for Compliance with the NOx Budget Trading Program: 2002 & 2003

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|------------------------|---|
| ◆ Jan-Apr, 2002        | ◆ Work with sources with 2003 compliance date to certify monitors   |
| ◆ April, 2002          | ◆ Certify monitors for SIP call sources with 2004 compliance date seeking ERCs (deadline for certifying monitors will depend on state rule)   |
| ◆ April, 2002          | ◆ Allocate allowances   |
| ◆ July - October, 2002 | ◆ Process quarterly emissions reports to (1) establish early credit baseline for SIP call sources, and (2) determine early credits for SIP call sources that established a baseline in 2000 or 2001 |
| ◆ Jan-April, 2003      | ◆ Work with SIP call sources with a 2004 compliance date to certify monitors  |
| ◆ Feb-April, 2003      | ◆ Process sources' (with a 2003 compliance date) early reduction credit applications and record in compliance accounts  |
| ◆ April, 2003          | ◆ Allocate allowances for both programs   |
| ◆ July-October, 2003   | ◆ Process quarterly emissions reports to (1) determine compliance for sources with a 2003 compliance date, and (2) to establish early credits for SIP call sources with a 2004 compliance date      |
| ◆ November 30, 2003    | ◆ Trading and compliance deadline for 2003 season   |
| ◆ December, 2003       | ◆ Begin reconciling 2003 ozone season emissions with allowance holdings for sources with a 2003 compliance date   |



## Clean Air Markets Website

- ◆ [www.epa.gov/airmarkets](http://www.epa.gov/airmarkets)

